

**701—44.5(422) Waiver of penalty and interest related to certain casualty losses.** For tax years beginning on or after January 1, 2008, but before January 1, 2009, the increase in the amount of casualty loss claimed as an itemized deduction authorized under Section 165(h) of the Internal Revenue Code, as modified by the Heartland Disaster Relief Act of 2008, Public Law No. 110-343, Section 706, cannot be taken for Iowa individual income tax purposes. If taxpayers filed their Iowa individual income tax return for the 2008 tax year and claimed the same amount of itemized deduction for casualty losses as allowed on the federal income tax return, taxpayers who amend their Iowa return for 2008 to claim a reduced amount of casualty losses for Iowa tax purposes will not be charged penalty and interest on the additional Iowa income tax due. If taxpayers had previously amended their Iowa return to report a reduced casualty loss for Iowa tax purposes and had paid penalty and interest related to the additional Iowa tax due, the amount of penalty and interest paid will be refunded by the department.

EXAMPLE: A taxpayer with \$50,000 of federal adjusted gross income claimed a \$15,000 itemized deduction for casualty losses on timely filed federal and Iowa income tax returns for 2008 based upon the changes to Section 165(h) of the Internal Revenue Code. Because Iowa did not adopt the changes to Section 165(h) of the Internal Revenue Code, taxpayer is only allowed a \$9,900 itemized deduction for casualty losses for Iowa tax purposes for 2008. Taxpayer filed an amended Iowa return on August 1, 2010, for the 2008 tax year and paid \$346 of additional Iowa income tax due to the reduced casualty loss deduction. Taxpayer will not owe any penalty for failure to timely pay the tax due, and the taxpayer will not owe any interest due to the late payment of tax.

This rule is intended to implement 2010 Iowa Acts, House File 2531, division XX.  
[ARC 9103B, IAB 9/22/10, effective 10/27/10]